Hold on to Workers’ Compensation

In 2004, Gov. Arnold Schwarzenegger and the state Legislature approved one of the most important pieces of legislation of the past two decades – workers’ compensation reform. The effort reined in out-of-control insurance costs that were hurting businesses and taxpayers throughout California. Despite their clear success, efforts are underway to roll back the reforms. It’s our responsibility to make sure that does not happen.

Many remember the huge mess created by California’s workers compensation system in the late 1990s and early 2000s. At the height of the crisis, employers faced annual double-digit insurance premium increases with costs tripling from $6.8 billion in 1997 to a staggering $21.8 billion in 2003. Our state had the highest rates in the nation, forcing many companies to downsize, go out of business or leave the state in order to escape the broken system.

Groups and individuals joined together against the proposed reforms, benefiting financially from the high cost of litigation and the proliferation of costly, often unnecessary treatments. Scare tactics, such as claiming that physicians would opt out of the system, have simply not born fruit. A study by the state’s Division of Workers’ Compensation concluded that injured workers continue to experience open and convenient access to medical care.

The governor and the Legislature came to grips with the issue and worked in a bi-partisan manner to pass much needed reforms benefiting employers and employees. Since then, employers have seen workers’ compensation costs cut in half compared to 2003 levels, while workers maintain convenient access to treatment and are not forced to absorb the costs of a broken system through reduced salaries and benefits.

The advantages of reform extend beyond employers. Local governments and agencies have saved millions over the past few years. For example, Los Angeles County estimates a savings of more than $700 million through 2010, freeing up vital funding for public safety, health care and infrastructure. And cost savings to schools and non-profits permit a greater investment to community-based programs and educational endeavors.

But success has not silenced the naysayers. A few opponents are attempting to place an initiative on the ballot that would roll back the 2004 reforms and place California once again in a very dangerous economic position. Because it is relatively easy to qualify a ballot program and educational endeavors.

A strong workers’ compensation system is vital to ensure employers and employees alike are treated fairly and effectively.

And that’s The Business Perspective.

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